



The Summa Foundation

Sources of Financing for Private Sector Healthcare Initiatives in Developing Countries

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COMMERCIAL MARKET STRATEGIES
NEW DIRECTIONS IN REPRODUCTIVE HEALTH

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1.0 Introduction

This is a brief survey of the international sources of financing for private sector initiatives in health in developing countries. Private sector is defined as the private for-profit sector (commercial sector) and the private not-for-profit sector.

In the past, the public sector supported by the international donor community has played a dominant role in the health sector in developing countries. This role has encompassed everything from the delivery of services to the implementation of immunization programs, investment in infrastructure and the distribution and subsidization of commodities.

Increasingly, there is an awareness both at the local and international level that the private sector must play a larger role in health. There are several reasons for this shift. Firstly, public budgets and donor funding are limited. There is a demand for private health services/commodities in developing economies and this demand is on the rise. In addition, competition makes the private sector an efficient provider of goods and services and this will translate into improved and expanded delivery of healthcare services and products.

In the past there have been impediments to the growth of the private sector. One of these impediments has been a lack of financing. The international commercial sector has been slow to provide financing for health projects in developing countries. This is the result of a number of factors. There is a high perceived risk to health sector investments in developing countries, particularly investments that target a low and middle income market. Investors are deterred by the regulatory environment in some developing countries. In some cases, the private sector has been squeezed out by government regulations and competition from the public sector. In certain areas of the health sector, such as family planning, profit margins are thin. An investment needs to offer an appropriate mix of services and/or products to be commercially viable. All of these factors have inhibited the growth of private health sector. Furthermore, in the past the international donor community has been reluctant to invest its resources in the private sector. Most donors focused their resources on the public sector. Recently, however, there have been efforts by a number of parties to increase the supply of financing available for private sector initiatives in health.

This survey reviews international sources of financing for the private sector in health. The information in this survey is not exhaustive. There has been an effort to focus on innovative financing sources and new developments in this area. It is the intention of the Summa Foundation to update this document as new sources are researched. The information for this survey was obtained from published documents, annual reports, web sites, phone interviews and personal meetings.

It should be noted that this survey is limited to international sources of financing for developing country projects. It does not cover national sources such as local commercial banks and investors or the efforts of large multinational corporations that are financing their own ventures in country.

2.0 Overview

For the purposes of this survey, financing sources are grouped into seven broad categories: International Financial Institutions, Other Multilateral Donors, Bilateral Assistance Programs, Bilateral Investment Funds, Foundations, International NGOs and Private Investment Funds. A brief overview of each category, recent trends and preliminary conclusions from the survey is provided in Section 2. Table I summarizes each financing source by category, including the type of financing provided and the sector that is served. Details of each financing source are provided in sections 3 to 9.

2.1 INTERNATIONAL FINANCIAL INSTITUTIONS

While many of the international financial institutions recognize the importance of health in human development and the importance of the private sector in economic development, they have been slow to put the two together. International financial institutions such as the World Bank, Inter-American Development Bank (IDB), and the Asian Development Bank (ADB) work through governments rather than directly with the private sector. However, recently the World Bank has been developing a strategy to promote private sector development in healthcare while the IDB is exploring its first healthcare financing opportunity through its private sector department.

The International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC) both provide financing for the private commercial sector but to date have not had a specific emphasis on health. However the IFC has stepped up its efforts in this area and is considering setting up a specialized department for social sector investment, which will include health. The IIC's activities in health are being channeled through their investment in the Latin Healthcare Fund, which is a private investment fund with a healthcare niche. Investments by the international financial institutions typically are in large multi-million dollar projects.

2.2 OTHER MULTILATERAL DONORS

Traditionally, other multilateral donor organizations, such as WHO and UNFPA, have used their resources to support the public sector and to a lesser extent the private not-for-profit sector. The International Conference on Population and Development's Programme of Action, which is sponsored by UNFPA, however, recognized the importance of the private sector and gave the UNFPA the role of facilitating a dialogue between the private commercial, not-for-profit, and public sectors. While UNFPA is playing an innovative role it will not be a direct source of financing.

2.3 BILATERAL ASSISTANCE PROGRAMS

Among bilateral donors there has been a growing consensus in recent years for supporting the private sector but many donors "...lack good information on both the motivations and potential of the for-profit sector."¹ Most efforts by bilaterals to engage the private sector have been in the area of social marketing, working with NGOs. The United States Agency for International Development has been the most proactive supporter of the private sector and has made the most effort to go beyond social marketing. Its Commercial Market Strategies Project (CMS) seeks to increase the use of family planning and other health products and services through private sector partners and commercial strategies in developing countries. The Summa Fund, which is the investment arm of the CMS project, is a vehicle to make investments in private sector health. The

United Kingdom and Germany are the only other bilateral donors to make significant steps towards addressing private sector needs and most of their funding has gone towards social marketing programs.²

2.4 BILATERAL INVESTMENT FUNDS

A potentially important source of financing is the bilateral investment funds. Many developed country governments have created specialized agencies, quasi-private or fully private investment funds. These funds provide equity and/or debt financing to private sector businesses in developing countries. Some of these investment funds, such as OPIC, are designed to support companies of the investor country as well as promote economic development. In these cases the fund will only invest in joint ventures with some ownership by companies of the investor country. Other funds do not have this requirement. While none of the funds surveyed have a niche in the health sector, most will consider health/ health service projects as long as they are commercially viable. Most investments by the bilateral investment funds are in medium and large multi-million dollar projects.

2.5 FOUNDATIONS

Foundations have a long history of funding programs to advance health in developing countries. Traditionally, their funding has consisted of grants for research and policy formulation. Recently, foundations have begun playing an innovative role in financing private sector involvement in healthcare. The Bill and Melinda Gates Foundations are leading this change. One example is the Gates funded Children's Vaccine Program which is based at PATH, an international NGO. This program will work to build global markets to lower vaccine prices and create new financing mechanisms to support childhood global immunization.

2.6 INTERNATIONAL NGOS

International non-governmental organizations (NGOs), also have an important role to play in financing private sector healthcare. Typically, NGOs receive grants from donors to support development projects. They tend to work at the grassroots level in developing countries. In the health sector NGOs implement health programs directly or work through local partner institutions. International NGOs have traditionally supported their local affiliates through grant financing and technical assistance.

In recent years some NGOs have made steps toward building the financial sustainability of local partners. For example, the International Planned Parenthood Federation/Western Hemisphere created an endowment with USAID funding to be used as a loan fund to support income-generating activities of local affiliates.

Another NGO operated loan fund is PATH's Fund for Technology Transfer. The Fund for Technology Transfer provides debt financing and technical assistance for health and family planning projects in developing countries.

Both of these initiatives by IPPF and PATH provide small loans to small businesses and local NGOs that frequently serve a low and middle income population. Both loan funds seek to achieve a social/health impact through their investments.

2.7 PRIVATE INVESTMENT FUNDS

Private Investment Funds have been an important source of financing for new investment in developing countries. These funds are capitalized with money from private investors. The funds make investments either in publicly traded securities or directly into unlisted companies. While developing countries are very risky, many investors believe they have great potential and can yield a high return on investment. Investment funds provide debt and/or equity financing to businesses. Debt financing is the provision of loans that must be repaid with interest. Debt financing gives the investment fund an arms length relationship with the borrower and does not require the fund to play a management or ownership role. Equity is the use of investment funds to purchase a share of the business. As a partial owner, the investment fund will often have a seat on the board of directors and may have a role in the management of the business. Equity generally requires a longer term relationship and the assumption of more risk than debt financing because the payback period is further in the future. The returns, however, can be much higher.

The private equity funds seek high returns on each investment as they wish to provide their investors with an attractive return on the overall portfolio of investments. Investment funds tend to invest in medium to large-scale projects. Due to the economic crisis in Asia, Brazil and the Former Soviet Union, the overall level of investment in developing countries has been decreasing but the funds are still looking for good investment opportunities.

The survey only identified one fund, the Latin Healthcare Fund, which is health sector specific. Other funds have diversified portfolios and will occasionally consider investments in the health sector.

2.8 PRELIMINARY CONCLUSIONS

Several preliminary conclusions can be made from the initial survey of sources of financing for private sector initiatives in health in developing countries.

A. Increased Recognition of Importance of Private Sector but Limited Increase in Financing

The survey revealed that in recent years there has been an increased recognition of the importance of the private sector in the provision of health services and commodities. Many organizations, such as the IFC, World Bank and DfID, are designing strategies to include private sector health projects into their programming. In reality, however, there is a lag between recognition and an increase in support. There has not been a significant increase in financing.

B. Wide Variety of Sources: Actual and Potential

The survey revealed that there are a wide variety of sources of financing from multilateral and bilateral donors to private sector, not-for-profit and for profit. As indicated above, many of these are potential sources of financing rather than actual. For example, many of the bilateral investment funds, such as OPIC, do not have large health sector portfolios but are willing to consider health projects. These potential sources can be developed in the future.

c. Limited Credit Available for Small Private Sector Projects

Table I indicates that financing is targeted at all sectors: public, private not-for-profit and private commercial. Most of the funding available for the private not-for-profit sector is grant funding provided by bilateral donors or Foundations. Most of the financing to the private commercial sector takes the form of equity or debt investments and is provided by the international financial institutions, bilateral investment funds and private sector investment funds. These investments are usually in large, multi-million dollar projects, which frequently serve an upper and middle income population. The survey reveals that there is a limited supply of debt financing available for small or medium sized businesses at the low end of the private commercial sector and for non-profit organizations that have income generating activities. These types of businesses and organizations are more likely to serve a middle and low income population group. Only the Summa Fund, PATH's Fund for Technology Transfer and the IPPF Endowment Fund for Sustainability are providing low end financing to the private sector.

Table 1: Overview of Sources	Type of Financing	Public Sector	Private Non-Profit	Private Commercial
International Financial Institutions				
International Finance Corporation	Loans, Equity			✓✓
Inter-American Investment Corporation	Loans, Equity			✓✓
Inter-American Development Bank	Loans	✓✓		✓
Multilateral Investment Fund	Grants, Loans, Equity, TA	✓✓	✓✓	✓✓
World Bank	Loans	✓✓		
Asian Development Bank	Loans, Equity	✓✓		✓
Other Multilateral Donors				
UNICEF	Grants	✓✓	✓✓	✓
World Health Organization	Grants	✓✓	✓	
UNFPA	Grants	✓✓	✓	
Bilateral Assistance Programs				
US Agency for International Development	Grants	✓✓	✓✓	✓
Department for International Development	Grants	✓✓	✓✓	✓
Kreditanstalt für Wiederaufbau (KfW)	Grants, Loans	✓✓	✓✓	✓✓
Gesellschaft für Technische Zusammenarbeit (GTZ)	Grants	✓✓	✓✓	✓
JICA	Grants, Loans	✓✓	✓	✓
Overseas Economic Cooperation Fund (Japan)	Loans, Equity	✓✓		✓
Bilateral Investment Funds				
Overseas Private Investment Corporation	Loans, Loan Guarantees			✓✓
American Enterprise Funds	Loans, Equity			✓✓
Commonwealth Development Corporation	Loans, Equity			✓✓
Foundations				
Rockefeller Foundation	Grants, Fellowships		✓✓	
Bill & Melinda Gates Foundations	Grants	✓✓ (int'l org)	✓✓	
David & Lucile Packard Foundation	Grants		✓✓	
Ford Foundation	Grants, Loans, Equity, Loan Guarantees	✓✓	✓✓	
Hewlett Foundation	Grants	✓✓	✓✓	
Mellon Foundation	Grants	✓	✓✓	
Mott Foundation	Grants		✓✓	
The MacArthur Foundation	Grants		✓✓	
Non-Governmental Organizations				
IPPF Endowment	Loans, Grants		✓✓	
Fund for Technology Transfer (PATH)	Loans		✓✓	✓✓
Pathfinder	Grants	✓	✓✓	✓
International AIDS Vaccine Initiative	Social Venture Capital		✓✓	✓✓
CARE	Grants		✓✓	✓
Small Enterprise Assistance Funds (SEAF)	Equity, TA			✓✓
Population Council	Grants, TA	✓✓	✓✓	✓
Save the Children	Grants, TA		✓✓	✓
Private Sector Investment Funds				
Chase Capital Partners	Equity			✓✓
Oresa Ventures	Equity			✓✓
Latin Healthcare Fund	Equity			✓✓
Calvert Group	Loans		✓	✓✓

Key:

✓ Minor Recipient of Financing

✓✓ Major Recipient of Financing

3.0 International Financial Institutions

3.1 INTERNATIONAL FINANCE CORPORATION

Description: The IFC finances private sector investments in the developing world, mobilizes capital in international financial markets and provides technical assistance to governments and business. It is the private sector arm of the World Bank.

Geographical Focus: global

Type of Financing: loans, equity, quasi equity (subordinated debt), TA

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

In 1998 the IFC invested approximately \$100m in 10-15 health sector projects. Most IFC health investments are \$5-20m. While health is not one of the IFC's traditional sectors (such as financial services and utilities), in recent years it has increased its financing of health projects. It has also adopted a strategy of promoting greater private sector involvement in healthcare. There is a proposal to create a department within the IFC for social sector investments, including health, but this is currently on hold. Health investments are handled through the Regional Departments. Recently, the IFC made a \$7million loan to a regional healthcare provider in Central and Eastern Europe. Other projects include:

Hospitals: Calcutta, Jakarta, Bangkok, Malawi, South Africa, Argentina, and Mexico

Prepaid Schemes/ HMO Clinics: Kenya (AAR), Poland, Brazil, Argentina

Medical Leasing Company: Brazil

Investment Criteria and Terms:

Range: IFC Investment: \$1-50m (with the exception of Africa where the minimum size is \$100,000 for projects funded through the Africa Enterprise Fund). Total Project Size: 5-100m

Interest rates: fixed or variable

Term: 8-15 years

Other: Maximum of 35% stake in an investee

3.2 INTER-AMERICAN INVESTMENT CORPORATION (IIC):

Description: The IIC is a member of the Inter-American Development Bank Group. It promotes the economic development of Latin America and the Caribbean by providing financing for small and medium size private enterprises. It is the private sector arm of the IDB.

Geographical Focus: Latin America and Caribbean

Type of Financing: loans, equity

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

In 1998 the IIC approved 28 loans and equity investments for a total of \$223 million for all sectors. The IIC has no special policy for investing in the health sector. In 1998 only 1% of the IIC's approved active portfolio was in the health sector.

The IIC has only made one direct investment in a health project, a cancer facility in Argentina. Health investments are usually made through the Latin Healthcare Fund in which the IIC is an investor. For smaller investments IIC is providing funding through lines of credit with private commercial banks in Latin America and the Caribbean. IIC provides loans of up to 8 years to commercial banks. The banks on lend the money to local businesses for up to 5 years with a one year grace period. The maximum loan amount to businesses is \$3million. Most of these loans are for agribusiness and manufacturing. They will consider health projects.

Financing Criteria and Terms:

Range: \$2-\$10 million

Interest rates: fixed or variable based on LIBOR +3%-6%

Term: 5-8 years

Other: Loans may be up to 33% of proposed projects or up to 50% of the cost of an expansion project. Maximum 5 year grace period. Majority ownership must be a private company from the host country.

3.3 INTER-AMERICAN DEVELOPMENT BANK

Description: The Inter-American Development Bank promotes economic and social development in the region through loans primarily to the public sector but also to the private sector on a smaller scale.

Geographical Focus: Latin America and the Caribbean

Type of Financing: loans

Financing for Public Sector: Almost all of IDB's lending is to the public sector. While the IDB identifies health as an important sector, in 1998 only 1.3% or \$129million was spent on loans in this sector.

Financing for Private Not-For-Profit Sector: None directly. However, IDB does provide financing for NGOs through the Multilateral Investment Fund (MIF), which is discussed below.

Financing for Private Commercial Sector: In the last few years the IDB has been making loans directly to the private commercial sector through its Private Sector Department. Most of the lending has been for infrastructure. The department is currently considering its first health sector investment, a \$16m loan as part of a \$55 million project to rehabilitate a private hospital in Salvador, Bahia, Brazil.

3.4 MULTILATERAL INVESTMENT FUND (IDB)

Description: The Multilateral Investment Fund (MIF) was established in 1993 as a special fund administered by the Inter-American Development Bank to accelerate private sector development and help improve the climate for private investment in Latin America and the Caribbean. Private sector includes both NGOs and the commercial sector. The MIF has approved 266 projects for \$477 million. They focus on strengthening the policy and regulatory framework for the private sector, increasing worker skills and mobility, broadening the participation of micro and small enterprises and demonstrating the role of equity as a development tool. The health sector is not a priority for MIF.

Geographical Focus: Global

Type of Financing: grants, loans, equity, TA

Financing for Public Sector: The MIF provides grants to local governments (municipalities, etc.) to create an environment for private sector investment. This includes assistance developing legal frameworks, appropriate regulation and commercial arbitration. The MIF also provides grants to local governments and NGO's to do training. MIF has funded only one project in the health area. In Columbia they provided a grant to a university to do a study on ways to include the private sector in the provision of health in the subsidized sector. MIF is currently preparing a project in Brazil, working with the government, on the regulation of private health plans.

Financing for Private Not-for-Profit Sector: In addition to grants for training, MIF provides grants to NGOs that are "formalizing" their operations in small and microenterprise development.

Financing for Private Commercial Sector: MIF funds small enterprises through Enterprise Funds (both in the US and in the region). MIF financing for these funds is in the form of loans/grants. Many of the funds have focused on the environmental sector. In Bolivia MIF provided \$4.9million to a \$10m venture capital fund operated by Small Enterprise Assistance Funds (SEAF), which is described below. Its main objective is to provide a commercially viable vehicle to assist in the business development of small companies in La Paz, Santa Cruz and other Bolivian cities. It does not have a particular health focus.

3.5 WORLD BANK

Description: The World Bank makes loans to borrower governments for projects and programs that promote economic and social progress.

Geographical Focus: Global

Type of Financing: loans, TA

Financing for Public Sector: The World Bank works through governments to implement its programs. In 1998 the World Bank made \$1.99 million in loans in the health, nutrition and population sectors(HNP). A third of this was for population and reproductive health. Spending on HNP represented 7% of total spending.

Financing for Private Not-for-Profit Sector: In recent years, the World Bank has recognized the importance of involving the private sector in healthcare in order to contain costs, increase quality and efficiency and to improve access. However the World Bank does not yet lend directly to the private sector but rather channels the funding through governments.

Financing for Private Commercial Sector: See above.

3.6 ASIAN DEVELOPMENT BANK

Description: The ADB is a multilateral development bank that promotes the social and economic development of the Asian and Pacific Region. The ADB makes loans and equity investments to achieve this objective. It finances both the public and private sectors.

Geographical Focus: Asian Pacific Region including Central Asia

Type of Financing: loans, equity, TA

Financing for Public Sector: In 1998 the ADB spent \$705million or 11.8% on social infrastructure projects, which includes the health sector. The ADB's main objective for the health and population sub-sector is to improve the quality of services, increase efficiency, and widen access, particularly for women and children to primary health and family planning services. Although increased private sector participation is a goal of the ADB, most health project financing is made to the public sector.

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector: The Private Sector Group of the ADB, which invests in private enterprises, focuses on projects for financial intermediation, capital market development and infrastructure provision. Other projects, such as health, are considered by the Private Sector Group only if justified by strong socioeconomic merits.

4.0 Other Multilateral Donors

4.1 UNITED NATIONS CHILDREN'S FUND (UNICEF)

Description: UNICEF is the United Nations agency that advocates and works for the protection of children's rights.

Geographical Focus: Global

Type of Financing: grants, TA

Financing for Public Sector:

UNICEF programs focus on primary healthcare, basic education and water and sanitation. UNICEF works extensively with the public sector in developing countries to implement these programs.

Financing for Private Not-for-Profit Sector:

UNICEF also works with the private not-for-profit sector to implement the above mentioned programs. Of interest to this survey, is UNICEF's support of microcredit initiatives and revolving drug funds through NGOs. UNICEF has micro-credit programs in 10 developing countries. These credit programs primarily target poor women and are linked to basic social services and social communication in order to maximize the impact on survival, protection and development of children and the empowerment of women. UNICEF believes that microcredit has a positive impact on the health and nutrition of borrower's children. When a woman's income grows, she is likely to spend more to improve her children's well-being. By explicitly linking microcredit programs to social services, UNICEF seeks to heighten the impact. UNICEF supports microcredit programs with direct financing as well as educational materials and technical support.

UNICEF also supports revolving drug funds. Revolving drug funds are established with a seed stock of pharmaceuticals. Training and social mobilization are also provided. Proceeds from the sales of the initial drugs are used to finance a new supply and pay overhead.

Financing for Private Commercial Sector: To a more limited extent, some of UNICEF's work with microcredit programs has involved the private commercial sector. For example, in Egypt a commercial bank took over the management of a successful UNICEF microcredit program. UNICEF is also providing technical support to a commercial bank that has committed \$6million to a Grameen Bank style program.

4.2 WORLD HEALTH ORGANIZATION (WHO)

Description: The World Health Organization is a United Nations Agency that promotes technical cooperation for health among nations, carries out programs to control and eradicate disease and strives to improve the quality of human life.

Geographical Focus: Global

Type of Financing: grants, TA

Financing for Public Sector:

WHO works primarily with the public sector. It provides guidance in the health field, sets global health standards, helps governments strengthen national programs and transfers health technology. WHO's budget for 1998-1999 is \$1.8billion.

Financing for Private Not-for-Profit Sector: WHO also works with NGOs in support of its public sector programs.

Financing for Private Commercial Sector: None

4.3 UNITED NATIONS POPULATION FUND (UNFPA)

Description: The UNFPA assists developing countries to improve reproductive health and family planning services and to formulate population policies in support of efforts towards sustainable development.

Geographical Focus: Global

Type of Financing: grants, TA

Financing for Public Sector: Traditionally, UNFPA has provided grants to developing country governments. UNFPA's total projected budget for 1999 is \$400million.

Financing for Private Not-for-Profit Sector: UNFPA also works with NGOs in support of its public sector programs.

Financing for Private Commercial Sector:

Recently the UNFPA has increased its interaction with the private commercial sector. The International Conference on Population and Development's Program of Action recognized the importance of the commercial private sector in the production and delivery of reproductive healthcare services and commodities. It calls for increased partnership with the private sector to promote sustainability. The UNFPA's role is to facilitate agreements between governments, donors and the private sector. It is working with companies to lower prices for contraceptive commodities in exchange for governmental agreements to improve taxes and regulations. Its first steps have been with oral contraceptives. Its role as a facilitator is an innovative one but it will not be a source of financing in its own right.

5.0 Bilateral Assistance Programs

5.1 UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

Description: USAID's goals in the population, health and nutrition sector are to stabilize world population and protect human health.

Geographical Focus: Global

Type of Financing: grants

Financing for Public Sector: USAID provides financing to the public sector through bilateral assistance programs with developing country governments.

Financing for Private Not-for-Profit Sector:

USAID is the first major bilateral donor to recognize the importance of the private sector in family planning and health. USAID has been working since the 1980s to expand the role of the private sector. USAID's work with the private sector encompasses both the not-for-profit and commercial for profit. While traditionally much of its work has focused on the not-for-profit sector, recently there has been a growing emphasis on working with the commercial sector. In 1985 the Office of Population funded 2 projects, the Family Planning Enterprise Project (ENTERPRISE, 1985-1991) and the Technical Information on Population for the Private Sector Project (TIPPS, 1985-1991) which sought to increase family planning services through the private sector by introducing business skills to PVOs/NGOS, using commercial channels and promoting employer-based programs. Following this effort, the Promoting Financial Investments and Transfers Project (PROFIT 1991-1997) was established to channel resources of the for profit sector into family planning programs. The Summa Foundation was created under PROFIT to manage PROFIT investments in the private health sector. The Contraceptive Social Marketing Project (CSM I and CSM II 1984-1998) was another major USAID effort to engage the private sector. Under CSM, the SOMARC I and II contracts (1984-1992) focused on resupply methods for low-income women. Contraceptive distribution was expanded through non-traditional commercial infrastructure and used method and brand specific advertising to enhance consumer demand and improve public attitudes toward family planning. The SOMARC III contract (1992-1998) marketed long term methods by developing service provider networks and focusing on quality of service delivery. SOMARC III gradually focused on leveraging efforts and creating partnerships directly with the commercial sector to reduce its risk of entry into new markets. Based on lessons learned from the past 15 years of working with the private sector, USAID has created the Commercial and Private Sector Strategies (CAPS) Results Package. CAPS seeks to increase use of family planning and other health products and services through private sector partners and commercial strategies. CAPS will go beyond social marketing of contraceptives to focus on service delivery, will apply innovative financing mechanisms and will develop models for third-party payment and managed health care. As the first contract to be implemented under CAPS, Commercial Market Strategies Project (CMS) has the primary objective of increasing the use of quality family planning and other health products and services in developing countries by partnering with the private and commercial sectors. Under CMS, the Summa Foundation will continue making innovative investments (debt/equity) in the private sector.

Financing for Private Commercial Sector: See above.

5.2 DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)

Description: DFID is a department of the British government that provides assistance to developing countries. In the health sector, the focus has been on lowering child and maternal mortality and ensuring that basic healthcare, including reproductive health, is provided for all.

Geographical Focus: Global

Type of Financing: grants

Financing for Public Sector: In the past, DFID has worked in partnership with the public sector to achieve its objectives.

Financing for Private Not-for-Profit Sector: DFID also works with NGOs in support of its health sector programs.

Financing for Private Commercial Sector:

The 1997 White Paper, a document stating British development policy objectives, recognized the importance of the private sector. DFID has established a Business Partnership Unit to work with the private sector. DFID seeks to create partnerships not just with international firms but with local firms in developing countries as well. DFID defines Business Partnership in a number of ways. It includes³:

Research and development partnerships with the private sector to encourage products targeted at the poor, such as new health or education products.

Partnerships which encourage business to market to the poor.

Partnerships which encourage investments in industries and sectors that provide services to the poor, for example in the health or water sectors.

Partnerships to influence codes of conduct of business

Partnerships to change perceptions of the profitability of investment opportunities in specific sectors or remote areas.

Partnerships to build profitable and sustainable small enterprise, and encourage large firm to small firm linkages.

The Health and Population Department (HPD) of DFID works with the Business Development Unit to mobilize the skills, experience and capabilities of partners at a strategic and or generic level. Initiatives that are purely country specific are excluded, although they will support pilot work in specific countries that has a potential for wider application.

Examples of DFID business partnerships in health:

DFID funded a project which supported an initiative of the private sector in Bangladesh to improve the healthcare of women workers in textile factories.

They funded a project which established an organization to market occupational healthcare packages with a family planning component to large and medium sized employers in Delhi,

Calcutta and Assam, India.

HPD is providing support for market research, field trials and local training for the Adaptive Eye Care product. These are glasses that have a removable attachment that enables the user to adjust the power of their lenses until their vision is corrected.

HPD has entered into a partnership with the WHO and the pharmaceutical industry with the goal of developing new drugs to combat malaria.

HPD is considering the results of a feasibility study to evaluate ways in which they can work in partnership with various health and communication organizations.

5.3 KREDITANSTALT FUR WIEDERAUFBAU (KfW)

Description: The German Federal Ministry for Economic Cooperation Development (BMZ) does not implement its own programs but works primarily through KfW and GTZ, which is discussed below. KfW is Germany's promotional bank for the domestic economy and the official development bank for countries in transition and developing countries. It seeks to expand social, economic and industrial infrastructure and protect the environment and natural resources.

Geographical Focus: Global

Type of Financing: grants, no interest loans, loans

Financing for Public Sector:

KfW implements BMZ's development program by allocating grants and loans to developing countries. It works primarily with the public sector, providing loans to more developed country governments and grants to less developed country governments. In 1997 KfW committed DM670m to the health/family planning sector. This was 8% of total commitments.

Financing for Private Not-for-Profit Sector: KfW works with international and local NGOs in support of its public sector projects. NGOs often provide technical assistance.

Financing for Private Commercial Sector:

To a more limited extent, KfW provides some financing to the private commercial sector. In the health field, some of this financing has been used to support social marketing programs.

5.4 THE DEUTSCHE GESELLSCHAFT FUR TECHNISCHE ZUSAMMENARBEIT (GTZ)

Description: GTZ provides technical assistance and advisory services in support of the BMZ's development objectives.

Geographical Focus: Global

Type of Financing: grants

Financing for Public Sector:

GTZ works primarily with the public sector in developing countries. The main goal of GTZ's health unit is to provide improved health services by helping national partner organizations to establish functional health systems. GTZ has an annual health budget of approximately DM 100m

and has 100 health projects in 50 countries.

Financing for Private Not-for-Profit Sector: GTZ works with the private not-for-profit sector in support of its health programs.

Financing for Private Commercial Sector: GTZ does have a substantial private sector development unit but to date it has not had a significant health focus.

5.5 JICA

Description: The Japanese Government provides official development assistance through 2 agencies, JICA and OECF, the Overseas Economic Cooperation Fund. JICA primarily uses bilateral grants to the public sector to provide training, technical experts and equipment. It also provides limited, low interest loans to Japanese companies in support of infrastructure projects.

Geographical Focus: Global

Type of Financing: grants, low interest loans

Financing for Public Sector:

JICA works primarily through the public sector of developing countries by providing bilateral grants. 20.9% of JICA's Official Direct Assistance, ODA, goes to social infrastructure projects, including health.

Financing for Private Not-for-Profit Sector: Limited

Financing for Private Commercial Sector: To a limited extent JICA also provides long-term, low interest loans to Japanese enterprises for projects which do not qualify for loans from OECF or the Export Import Bank. These loans are for the construction of public facilities and infrastructure.

5.6 OVERSEAS ECONOMIC COOPERATION FUND

Description: The OECF is a development finance institution of the Japanese Government that provides concessional loans to support developing countries. Loans are made to governments and to a more limited extent the private sector.

Geographical Focus: Global

Type of Financing: loans, limited equity investments

Financing for Public Sector: Most OECF loans are made to developing country governments and are called ODA. In 1998 OECF committed 1,111.6 billion Yen in loans to the public sector. Approximately, 12.8% of total funding or 142.8 billion Yen in 1998 went to the social services sector which includes health.

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector: OECF has a Private Sector Investment Finance division that makes loans and equity investments in private corporations.

Financing Criteria and Terms:

Interest rates: ODA- 1.3% per annum, Private Sector-1.7%

Term: ODA- 32 years, Private Sector- 8 years

Grace Period: ODA-9 years, Private Sector- 2 years

6.0 Bilateral Investment Funds

6.1 OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) USA

Description: OPIC's mission is to mobilize and facilitate the participation of US private capital and skills in the economic and social development of less developed countries. It achieves this through political risk insurance and financing.

Geographical Focus: less developed countries, developing countries, transitional economies

Type of Financing: loans, loan guarantees

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

OPIC provides long and medium term financing through direct loans and loan guarantees to private commercial ventures involving significant equity and/or management participation by U.S. businesses. OPIC provides financing in countries where commercial financing is scarce. OPIC does not have a specific health focus but will consider health projects if they fit its criteria.

Financing Criteria and Terms:

Range: up to \$200 million

Interest Rates: fixed or variable, comparable to other US government guaranteed issue

Other: at least 25% US ownership, more than 50% private ownership

6.2 OPIC SUPPORTED INVESTMENT FUNDS (USA)

Description: OPIC has also created 26 privately owned and managed equity investment funds that invest in developing economies. These funds are capitalized with a combination of OPIC and/or private funding.

Geographic Focus: Some of these funds are global and some are region specific.

Type of Financing: equity

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

OPIC supported investment funds only provide financing to the private commercial sector. While none of the funds have a health niche, some will consider projects in the health sector. Together these funds total approximately \$3.2 billion. Each fund has its own financing criteria and terms.

6.3 AMERICAN ENTERPRISE FUNDS (USA)

Description: Through acts of the US Congress a number of privately owned, not-for-profit investment funds were established with US government funding. Their mandates are to promote the private sector development and growth of small and medium size enterprises in transitional economies. Examples of these funds are the Central Asian-American Enterprise Fund, the Poland American Enterprise Fund, and the Western NIS Fund.

Geographic Focus: former Soviet Union and Eastern Europe.

Type of Financing: equity and debt

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

The goal of the funds is to promote the private commercial sector. Each fund has its own financing criteria and terms and will not be listed here. While none of the funds have a specific health niche, many of the funds have invested in health sector projects.

6.4 COMMONWEALTH DEVELOPMENT CORPORATION (CDC) UK

Description: The CDC is currently owned by the British government but will be privatized in the near future. The objective of the CDC is to grow long term viable businesses in developing economies.

Geographical Focus: Global

Type of Financing: equity, loans

Amount Available: £1.2 billion invested (total investments not specific to health)

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

To date it has invested over £1.2 billion in over 400 businesses in 55 emerging economies. It focuses on the agricultural, industrial, financial and services sectors. It does not have a specific health focus but will consider health projects. CDC's investments are not restricted to projects with British ownership.

7.0 Foundations

7.1 ROCKEFELLER FOUNDATION

Description: The Rockefeller Foundation is an important source of funding in health and population research and policy dialogue.

Geographical Focus: Global

Type of Financing: grants, fellowships

Financing for Public Sector: No direct financing

Financing for Private Not-for-Profit Sector: Most funding goes to research institutes and NGOs involved in research. Recently, the Rockefeller Foundation has begun promoting public and private sector partnerships in the health sector. For example, the Concept Foundation in Thailand was funded to partner with industry to develop emergency contraception products. A Foundation grant helped establish the Consortium for Industrial Collaboration in Contraceptive Research and Development. The Consortium is promoting projects that link public sector research institutions to pharmaceutical companies in order to encourage private sector investment in products for poor women in less developed countries.

Financing for Private Commercial Sector: No direct financing

7.2 BILL AND MELINDA GATES FOUNDATIONS

Description: The Gates Foundations support initiatives in education, world health and population and community giving in the Pacific Northwest. At the end of 1998 the Foundations had committed \$133 million to organizations working in world health and population

Geographical Focus: Global

Type of Financing: grants

Financing for Public Sector: In 1999 the Gates Foundations donated \$2.2 billion to the UNFPA.

Financing for Private Not-for-Profit Sector:

The Gates Foundations gave \$100 million to the Bill and Melinda Gates Children's Vaccine Program which is based at PATH. The goal of this program is to significantly reduce the time it takes for vaccines to reach children living in poor countries. Program activities of special interest to this survey are:

Model immunization programs in selected countries to establish the most cost-effective means of introducing the new vaccines.

An international information program to generate support for rapid introduction of the new vaccines and to help build global markets so that prices can be lowered.

Activities designed to ensure an adequate and competitive supply of vaccines and to develop funding mechanisms to supply vaccines to countries in need. Efforts to create new and diversified financing mechanisms to support childhood global immunization.

The Gates Foundations have also donated \$25million to the International Aids Vaccine Initiative which is creating strategic partnerships with the private commercial sector (see NGOs).

Financing for Private Commercial Sector:

The Gates Foundations have not directly financed the commercial sector. Gates, however, recognizes the importance of working the private sector and places a premium on programs that emphasize this, such as PATH and the International Aids Vaccine Initiative.

7.3 THE DAVID AND LUCILE PACKARD FOUNDATION

Description: The Packard Foundation supports the improvement of scientific knowledge, education, health, culture, employment opportunities, the environment and quality of life. Within the health sector the Packard Foundation focuses on population issues.

Geographical Focus: Population grants focus on Ethiopia, India, Mexico, Myanmar, Nigeria, Pakistan, the Philippines and Sudan.

Type of Financing: grants

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector:

The Packard Foundation provides grant funding primarily to non-governmental organizations. The Population Program seeks to increase access to reproductive choices by supporting well-organized ways of delivering family planning methods, safe abortion services, post-abortion care and helpful information about reproductive options. Reaching young adults and programs that are cost-effective and replicable are a priority. Key strategies are to promote the distribution of affordable contraceptives through subsidized retail sales and to support provision of services through the private sector. An example of Packard support to the private sector is a \$300,000 grant to FEMAP in Mexico to create a revolving fund for purchasing contraceptives and medical supplies.

Financing for Private Commercial Sector: Not directly but is supporting programs that work with the private commercial sector.

7.4 FORD FOUNDATION

Description: The Ford Foundation makes grants and loans (Program Related Investments) to organizations and individuals in order to strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement. The Ford Foundation has a Human Development and Reproductive Health Unit that supports efforts to build human

and social capital while strengthening the relationships and social networks that people need to improve their lives. In the Sexuality and Reproductive Health field, Ford focuses on the social, cultural and economic factors that impact health.

Geographical Focus: Global

Type of Financing: grants, loans, equity, loan guarantees

Financing for Public Sector: Ford provides financing to government agencies and national research institutes acting on issues identified at the UN Cairo and Beijing conferences.

Financing for Private Not-for-Profit Sector: Ford also finances non-governmental organizations acting on issues identified at the UN Cairo and Beijing conferences. One example is a Program Related Investment (defined below) made to PATH's Fund for Technology Transfer (see NGO's below).

Financing for Private Commercial Sector:

Due to this emphasis on the public and private not-for-profit sectors, the Ford Foundation has not been a major player in providing financing for the private commercial sector. The Ford Foundation's Program Related Investments (PRI), however, are an interesting innovation in financing mechanisms for foundations and may potentially be a source of financing for the private commercial sector in health. PRIs are investments in the form of debt, equity, or loan guarantees in projects that advance philanthropic purposes in areas of the Foundation's interest. PRIs must be repaid with interest and therefore can only be made to organizations that earn an income.

7.5 HEWLETT FOUNDATION

Description: The Hewlett Foundation promotes the well being of mankind by supporting selected activities of a charitable nature as well as organizations engaged in such activities. The Hewlett Foundation has three main goals in the area of Population: to increase the involvement of the public and private sectors, the media and educational institutions in population issues; to improve the delivery of family planning and related reproductive health services; and to evaluate and help replicate the impact of educational and economic development activities on fertility. The Foundation favors those organizations that seek to bridge the gap between research, policy formulation and program implementation.

Geographical Focus: Global

Type of Financing: grants

Financing for Public Sector: Grants are provided to publicly funded universities for contraceptive development and population research and training

Financing for Private Not-for-Profit Sector: Grants are given to NGOs for general support to increase commitment to address population issues, for international family planning and development activities, for domestic family planning activities, for population and human development research and for the development of contraceptives.

Financing for Private Commercial Sector: None

7.6 MELLON FOUNDATION

Description: The purpose of the Mellon Foundation is to aid and promote such religious, charitable, scientific, literary, and educational purposes as may be in the furtherance of the public welfare or tend to promote the well-doing of mankind. Under this broad charter, the Foundation makes grants to institutions in higher education; in cultural affairs and the performing arts; in population; in conservation and the environment; and in public affairs.

Geographical Focus: Developing Countries, New York City

Type of Financing: grants

Financing for Public Sector: Public sector financing consists of grants for research and institution building at publicly funded universities. See below for more details.

Financing for Private Not-for-Profit Sector: The Mellon Foundation's population program makes grants totaling roughly \$13million a year in the following program areas: reproductive biology, applied contraceptive development, social science research on population issues in developing countries, delivery of reproductive health services in developing countries and in New York City, and population policy analysis. In the reproductive biology area, grants are given to public and private research institutes at universities for research and institution building. In the contraceptive development area, grants are given to NGOs and university research institutes for the development of contraceptives. In the delivery of reproductive health services area, grants are made to develop reproductive health services in refugee settings, for research related to the safe provision of IUDs in countries with poor health infrastructure, and for research and interventions to improve reproductive health services for adolescents in developing countries. The grants are usually provided to a consortium of NGOs. Support has also been provided to PATH for its work in establishing local production of contraceptives in developing countries and for its small grants program. In the population dynamics of developing countries area, 11 demographic centers at universities receive support. In the population policy area, grants are given to NGOs for research.

Financing for Private Commercial Sector: None

7.7 MOTT FOUNDATION

Description: The Charles Stewart Mott Foundation supports efforts that promote a just, equitable and sustainable society. Its grantmaking is organized into 4 programs, including civil society, environment, support of activities in Flint Michigan, and poverty. Within the Poverty area, the Mott Foundation supports efforts to strengthen families, which include teenage pregnancy prevention, family and parenting support and early childhood development.

Geographical Focus: US and global

Type of Financing: grants

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: Most of the Mott Foundation's funding provides grants to the not-for-profit sector. Most of their grants support domestic activities in the health sector, although they do fund international programs as well. In the health sector they will fund programs that support teenage pregnancy prevention and early childhood development.

Financing for Private Commercial Sector: None

7.8 THE MACARTHUR FOUNDATION

Description: The MacArthur Foundation is dedicated to helping groups and individuals foster lasting improvement in the human condition. The Foundation seeks the development of healthy individuals and effective communities; peace within and among nations; responsible choices about human reproduction; and a global ecosystem capable of supporting healthy human societies. The Foundation pursues this mission by supporting research, policy development, dissemination, education and training, and practice.

Geographical Focus:

Type of Financing: grants

Financing for Public Sector: Not significant

Financing for Private Not-for-Profit Sector: One of the Foundation's core areas is population. It seeks to foster conditions for responsible reproductive choices by improving women's reproductive health and promoting shared responsibility between men and women for sexual behavior, childbearing, and childrearing. Within this context, the Foundation provides grants primarily to the private not-for-profit sector at both the international and local level to build international collaboration and conduct activities in Brazil, India, Mexico and Nigeria. These countries were selected due to their political and demographic importance. Most grants support education, research and communications initiatives. Several grants have been provided for expanding a model clinic and small income generating projects that include poor women.

Financing for Private Commercial Sector: None

8.0 Non-Governmental Organizations

8.1 IPPF

Description: The International Planned Parenthood Federation is an international non-profit that promotes the right of men and women to decide the number and spacing of children and to have access to the highest level of sexual and reproductive health.

Geographical Focus: Latin America and the Caribbean

Type of Financing: Loans/Grants/TA

Funding Source: USAID/IPPF-WHR

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector:

IPPF/ Western Hemisphere Region created the Endowment Fund for Sustainability (EFS) financed by USAID to provide financing to family planning associations to promote business ventures that lead to sustainability. This is an innovative financing mechanism for the private sector. It is a \$5million endowment. In 1998 \$1 million was available for the loan program and \$100,000 was available for the grant program.

Financing for Private Commercial Sector: None

Financing Criteria and Terms:

Interest rates: below market

Maturity: 5 years

8.2 THE FUND FOR TECHNOLOGY TRANSFER(FTT)/PATH

Description: The Program for Appropriate Technology in Health (PATH) is a non-profit international organization that seeks to improve the health of women and children. In 1981 PATH created a loan fund, the Fund for Technology Transfer, to provide financing and technical assistance for health and family planning projects. The objective of this fund is to build an infrastructure of organizations in developing countries that produce and distribute essential health and family planning products and services. The FTT fund is \$6 million, including \$1.2 million outstanding as of February 1999. The fund provides loans to the private not-for-profit sector as well as the private for profit sector.

Geographical Focus: global

Type of Financing: Loans/TA

Funding Source:

*Program Related Investments(loans): Ford Foundation (\$1.5million), MacArthur Foundation (\$1.5million), Calvert World Values Fund (\$300,000),

*Grants: Mellon Foundation (\$1.9million), Hewlett Foundation (\$1 million)

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector:

An example of an innovative FTT investment in the not-for-profit sector is a \$300,000 loan to Friends of Women's World Banking India (FWWB), a microfinance institution. FWWB is on-lending the \$300,000 to various NGOs and women's credit associations in Gujarat state which will provide microcredit to groups of women. Reproductive education will be added to the weekly business meetings that the women attend as part of their credit group. PATH gave a grant to CHETNA, an Indian NGO specializing in the development of educational materials for health and nutrition, in order to implement the health education component. According to PATH, "credit is the 'hook' that attracts poor women and brings them more purchasing power and decision making ability-and access to information about reproductive healthcare that their new earning power will enable them to pursue."⁴

Financing for Private Commercial Sector:

FTT also targets its loans to the private commercial sector. One example, is a loan and technical assistance to Famosal, S.A., a salt manufacturer in Ecuador, to iodize salt. The loan meets a public health need and Famosal is packaging the product so that it is affordable to the poor.

Financing Criteria and Terms:

Loan range: \$50,000-\$600,000

Interest rates: 9%-12%

Maturity: 1-7 years

Collateral: required

Other: Loans must fit PATH's and FTT's objectives and be financially sound. The organization must be in operation for at least 2 years. Priority is given to projects that improve the availability of health products and services, introduce a new or more appropriate technology, and reduce the price or improve the quality of an existing product or service.

8.3 PATHFINDER

Description: Pathfinder is an international NGO that operates in Asia/Near East, Africa and Latin America. Pathfinder provides direct assistance to family planning and reproductive health organizations around the world. Program strategy focuses on increasing access, enhancing quality, increasing cost effectiveness, and strengthening organizational capacity.

Geographical Focus: global

Type of Financing: Grants/TA

Funding Source: USAID, private contributions, foundations

Amount Available: \$66 million annual budget

Financing for Public Sector: Pathfinder works at both the public and private level. An example of Pathfinder's work is its effort in Africa to build the capacity of public and private sector providers

to manage and expand reproductive health services.

Financing for Private Not-for-Profit Sector: See above.

Financing for Private Commercial Sector: See above.

8.4 INTERNATIONAL AIDS VACCINE INITIATIVE (IAVI)

Description: IAVI is a non-profit, scientific organization established to ensure the development of safe, effective, accessible, preventive HIV vaccines for use throughout the world. IAVI is focusing on innovative ways to engage the private sector in the development and distribution of an AIDS vaccine. Their work is described as “social venture capital”.

Geographical Focus: Global

Type of Financing: social venture capital

Source of Funding: Rockefeller Foundation, Sloan Foundation, Until There’s a Cure Foundation, UNAIDS, the World Bank, Gates Foundations and others.

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: IAVI provides social venture capital to not-for-profit educational research institutes as well as for profit corporate laboratories. See below.

Financing for Private Commercial Sector:

IAVI has invested \$9.1million in Vaccine Development Partnerships (VDP) with corporate and educational research institutes. Unlike traditional research grants, the VDP will give IAVI a return on its investment in the form of licenses on intellectual property rights. IAVI establishes intellectual property agreements with VDPs that will enable it to produce vaccines for the public sectors of developing countries at reasonable prices without interfering with the VDP’s most profitable markets in developed countries.

8.5 CARE

Description: CARE is a large relief and international development organization that works in a variety of sectors, including health. Within the health sector, CARE works in maternal child health; water, sanitation, and environmental health; and reproductive health.

Geographical Focus: Global

Type of Financing: Grants, TA

Source of Funding: USAID, private donors, other

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector:

In 1998 CARE spent \$10.4 million on health projects. Some of this was used to finance partner organizations. CARE seeks to increase the sustainability of local partner institutions to effectively deliver population and health services. Most of these local partners are in the private not-for-profit sector. CARE integrates health efforts with other programs, such as microenterprise development.

Financing for Private Commercial Sector:

To a lesser extent, CARE also works with the private for profit sector to implement its health objectives. For example, some CARE child survival projects strive to empower communities to establish their own pharmacies and to diagnose and treat common illnesses. CARE is also implementing a grant from the Gates Foundation to launch a reproductive health program in Honduras targeting 500 factories. This education and community mobilization program will involve employees, factory owners and senior management.

8.6 SMALL ENTERPRISE ASSISTANCE FUNDS (SEAF)

Description: SEAF is a non-profit organization that was originally part of CARE but is now independent. It provides equity and quasi-equity financing, in combination with business and technical assistance, to small and medium enterprises in developing countries and in countries undergoing economic transition. SEAF manages locally operating small business investment funds on a commercially sustainable basis.

Geographical Focus: Global

Type of Financing: Equity, quasi-equity financing, TA

Source of Funding: USAID, IFC, Ford Foundation, MIF, EBRD, others

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

SEAF operates funds in 10 countries, with committed capital of more than \$70million under management. SEAF has completed nearly 120 equity investments. SEAF's investment funds are capitalized in the range of US \$5million to US\$15million and are organized either as directly managed SEAF funds or as majority owned subsidiaries. Individual investments are in the range of US\$50,000 to US\$400,000 and are made through combinations of minority equity participations of between 25% and 49% of shares and partnership interests, often combined with subordinated debt. The average investment is approximately \$220,000 per investee. Prior to a SEAF investment, a typical SME will have annual turnover of between US\$200,000 and US\$2,000,000 and will employ 10 to 100 persons. Priority sectors for investment include, agribusiness, light industry for export, businesses in services such as distribution and selling, businesses supporting the housing industry, essential business services such as printing and businesses helpful to the environment. Health is not a priority sector but SEAF has made some health related investments, such as in pharmaceutical production and distribution and in a distributor of medical equipment and pharmaceuticals.

8.7 POPULATION COUNCIL

Description: Population Council is an international, non-profit organization that conducts research on three fronts: biomedical, social science and public health. The research helps to change the way people think about problems related to reproductive health and population growth. The mission of Population Council is to improve the wellbeing and reproductive health of current and future generations and to help achieve a humane, equitable, and sustainable balance between people and resources.

Geographical Focus: Global

Type of Financing: Grants, Technical Assistance

Source of Funding: US government, foundations, internal funds, multilateral organizations, and other governments

Financing for Public Sector: The Population Council provides grants and technical assistance to governments and governmental institutions in order to conduct research on population and reproductive health issues. The Population Council conducts demographic studies, operations research, basic research on reproductive physiology and the development of new contraceptives.

Financing for Private Not-for-Profit Sector: The Population Council also provides grants and technical assistance to non-governmental organizations to conduct research as described above and to support research centers.

Financing for Private Commercial Sector: The Population Council has developed an innovative mechanism for financing the development of contraceptive products through the commercial sector. Population Council provides funding to commercial companies to develop and manufacture contraceptives, such as Norplant and the IUD. Typically, Population Council funds product development, including research and clinical trials. Often Population Council will then give the commercial company or companies the rights to manufacture and or distribute the product in return for specified royalties. This is grant financing in the sense that the money does not need to be repaid if the product is a failure but if the product is successful, Population Council can earn revenue on it.

8.8 SAVE THE CHILDREN

Description: Save the Children is an international non-profit organization. Its mission is to create positive, lasting change in the lives of children in need. It has a wide variety of programs in different sectors, including health, throughout the world.

Geographical Focus: Global

Type of Financing: Grants, Technical Assistance

Source of Funding: US government, other donors

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: Save the Children spent \$14.9 million in 1998 on primary health programs, with an emphasis on child health. The key components of their approach include immunizing children, treating diarrhea, monitoring children's growth and health to detect malnutrition and disease, educating families and communities about child care, nutrition, birth spacing, clean water and good sanitation and improving access to prenatal care. Save the Children implements its program directly and through local NGOs.

Financing for Private Commercial Sector: In addition to health programs, Save the Children also implements economic opportunities programs, such as lending and savings groups and projects that strengthen family businesses and sustainable agriculture. Financing the private health sector is generally not the objective of these programs. However, Save the Children does sometimes link its micro-credit programs to its health and education programs.

9.0 Private Sector Investment Funds

9.1 CHASE CAPITAL PARTNERS

Description: Chase Capital Partners is part of Chase Manhattan Bank Group. It is a private growth equity and venture capital investment fund.

Geographical Focus: global

Type of Financing: equity

Funding Source: private investment

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

Chase Capital Partners only provides financing to the private commercial sector. They have over \$7 billion invested globally, of which over \$1 billion is in the health sector. Chase Capital Partners does not have a developing country focus, but considers investments in North America, Europe, Israel, Latin America, and Asia. In Latin America, Chase Capital Partners has worked with the Latin Healthcare Fund (see below). Chase Capital Partners invests in large multi-million dollar projects. Relevant investments include:

Development of medical diagnostic systems in Israel

Investment in leading Brazilian drug retailer

Investment in manufacturer of disposable medical devices in India

9.2 ORESA VENTURES

Description: Oresa Ventures is a venture capital investment company that is listed on the Stockholm Stock Exchange.

Geographical Focus: Central and Eastern Europe

Type of Financing: equity

Funding Source: private investment

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

Oresa invests in small and medium size companies in Central and Eastern Europe. Their focus is on the healthcare, distribution and consumer goods sectors. Oresa has total net assets valued at \$63.2 million. They have made 13 direct equity investments in 10 companies and 3 funds. Oresa Venture's largest investment, \$28.7million, is in Medicover. Medicover is a private healthcare

service provider in Poland, Hungary and Romania, that contracts with companies on a pre-paid basis to provide health services for employees.

9.3 LATIN HEALTHCARE FUND

Description: The Latin Healthcare Fund is a private equity investment fund that invests in health-care companies in Latin America.

Geographical Focus: Latin America

Type of Financing: equity

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector: None

Financing for Private Commercial Sector:

The Latin Healthcare Fund has \$55 million in committed capital. It invests in private companies that include hospital chains, ambulatory care systems, integrated healthcare delivery systems, HMOs and health service companies, such as laboratories, imaging, rehabilitation and distribution.

Financing Criteria and Terms:

Range: \$3-\$5million can mobilize as much as \$50 million per investment via co-investors

Other: LHF will provide strategic management support, board participation and advisory input to investees.

9.4 THE CALVERT GROUP

Description: The Calvert Group is a group of mutual funds, including the Calvert World Values International Equity Fund, the Calvert Strategic Growth Fund and the Calvert Social Investment Fund. These funds invest a percent of assets in high social impact investment opportunities. High social impact investments are identified based on social criteria and may provide a lower yield than normally expected. High social impact investments are made both domestically and in developing countries and can be used for health projects.

Geographical Focus: domestic/international

Type of Financing: Loans

Financing for Public Sector: None

Financing for Private Not-for-Profit Sector:

Up to 3% of assets of participating mutual funds are invested in high social impact projects. Unlike the mutual funds, the Calvert Foundation, a non-profit member of the Group, is designed to provide all of its financing to organizations to meet social objectives. Investments can be made in both not-for-profit or for profit projects as long as they demonstrate high social impact. To date the following has been invested in high social impact projects:

Calvert World Values International Equity Fund: \$1.5million

Calvert Strategic Growth Fund: \$200,000

Calvert Social Investment Fund: \$5 million

Calvert Foundation: Information needed

One example of a high social impact investment is a loan from the Calvert World Values International Equity Fund to the FTT/PATH Fund.

Financing for Private Commercial Sector: See above

1 Rosen, James and Conly, Shanti, Getting Down to Business(Draft), Population Action International, Washington DC 1999

2 Ibid

3 Business Partnerships, Volume I: Approach to Business Partnerships, Department for International Development, London, United Kingdom

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